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SUBJECT: Brazil Civil Aviation: Airport Privatization - the players
and the timeline

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SENSITIVE BUT UNCLASSIFIED

11. (SBU) Summary: Brazil is studying several concession models to raise capital for much needed airport infrastructure improvements before hosting the World Cup in 2014. Private and public sector proposals have been received during the comment period phase, with most comments advocating private management of Brazil's commercial airports. The Technical Commission for the Coordination of Civil Aviation Activities (COTAER), which includes members of the Office of the President (OP), Ministry of Finance (MOF) the Ministry of Development, Industry and Foreign Commerce (MDIC), Ministry of Foreign Relations (MRE), Ministry of Tourism (MT), Ministry of Planning and Budget Management (MPOG), Board of Civil Aviation (CONAC), the Brazilian National Aviation Authority (ANAC), Department of Air Traffic Control (DECEA), the Agency for Airport Infrastructure Management (INFRAERO), the Brazilian National Development Bank (BNDES), and the MOD Department of Investigation and Prevention of Aeronautical Accidents (CENIPA), will consider these recommendations in crafting a final version. Defense Minister Nelson Jobim will forward the commission's recommendation to President Lula, who will make the final decision. Changes that impact the federal budget would require congressional review. Timing for implementing the concession model remains unclear and could potentially extend beyond the current Brazilian administration. End Summary.

Agencies and Ministries Involved in Concession Model Formation

12. (U) Fernando Soares, Director of the Department of Civil Aviation Policy (DEPAC) of the Secretary for Civil Aviation (SAC) at the Ministry of Defense (MOD), explained recently the procedures and players involved in the concession model developmental process and the likely completion dates. Soares explained that DEPAC is acting as the collection and coordination point in the concession model recommendation process. This process started in August 2008 with the formation of a DEPAC working group to study possible concession models. DEPAC's draft models were then presented to COTAER in October 2008. COTAER was responsible for reviewing the working group's findings and providing recommendations. DEPAC then held a public hearing to gather input to be incorporated into the proposals cleared by COTAER. Soares explained that the concession seminar and a recent public hearing on airport privatization legislation held on November 9 in Brasilia were part of this required public consultation process (reftel A). Once completed, CONAC, whose membership mirrors COTAER's but at higher working levels and chaired by the MOD, will then revise the draft proposal based on public and COTAER input. DEPAC plans to complete the final draft proposal and present it for Jobim's review in March, with the intention of presenting it to President Lula by his requested April 9th deadline.

¶3. (U) The Brazilian Association of Infrastructure and Basic Industry (ABDIB), whose 160 member companies represent sectoral interests such as telecommunications, energy and aviation and whose members comprise approximately 15% of Brazil's GDP, formed an Airport Committee (AC) in October 2008 composed of 30 member companies to develop private sector recommendations for airport privatization. ABDIB's interest is based both on private sector interest in infrastructure improvements that can support expanding trade interests and on developing private sector investment opportunities. The ABDIB Airport Committee has also signed a technical cooperation agreement with the Brazilian Sports Ministry (MOE) and the Brazilian Football Federation (CBF) to address infrastructure challenges related to hosting the World Cup. Dario Queiroz Galvao, ABDIB Vice President, notes that initial ABDIB studies indicate an urgent need to begin improvement projects and calls on the GOB to quickly implement a transparent business-friendly concession model which addresses the disparity in profitability among Brazilian airports. ABDIB is promoting an individual airport concession model administered by the Brazilian National Developmental Bank (BNDES).

¶4. (SBU) Comment: Greater clarity has been added to the airport concession model developmental process. Input from the private sector (reftel A) indicates preference for a model based on offering concessions for individual airports rather than "bundled" concessions of profitable and non-profitable airports. However, given the conflicting agency opinions and objectives within the commission, it is unclear whether the proposed timeline will be met and whether airport privatization will begin before the end of the current Administration in 2010. END COMMENT

BRASILIA 00000016 002 OF 002

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